

Message Text

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15

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

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E.O. 11652: N/A

TAGS: EINV, IZ

SUBJECT: IRAQ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 165596; (B) STATE 261921

1. THERE APPEAR TO BE NO LAWS ON THE BOOKS IN IRAQ FLATLY PROHIBITING FOREIGN INVESTMENTS. BUT, AS SENIOR IRAQI PLANNING OFFICIALS HAVE STATED FROM TIME TO TIME TO THE HANDFUL OF AMERICAN FIRMS WHICH HAVE SHOWN ANY INTEREST IN THE SUBJECT, IRAQ DOES NOT SEEK FOREIGN INVESTMENT, DOES NOT BELIEVE IT NEEDS DIRECT FOREIGN INVESTMENT AND ANY FOREIGN FIRM WHICH PROPOSED TO MAKE SUCH AN INVESTMENT WOULD HAVE TO PRESENT A VERY CONVINCING ARGUMENT TO PROVE THAT SUCH INVESTMENT WAS IN IRAQ'S NATIONAL INTEREST. SINCE THE MOST RECENT NATIONALIZATIONS OF THE PETROLEUM COMPANIES, THERE REMAINS NO AMERICAN DIRECT BUSINESS INVESTMENT IN IRAQ.

2. IRAQ DOES NOT CONSIDER NON-IRAQI ARABS TO BE FOREIGN AND

THERE HAS BEEN AGREEMENT, IN PRINCIPLE, TO SET UP JOINT VENTURES IN IRAQ WITH GOVERNMENT-CONTROLLED MANUFACTURING FIRMS FROM OTHER ARAB COUNTRIES.

3. UNLIKE MANY DEVELOPING COUNTRIES, IRAQ HAS A RELAXED AND TOLERANT ATTITUDE TOWARDS LOCAL MANUFACTURING
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UNDER FOREIGN LICENSING: WHETHER SOFT DRINKS, MEDICINES, OR

ANY OTHER PRODUCT WITH WHICH LOCAL TECHNOLOGY CANNOT COMPETE EFFECTIVELY.

4. THE GOVERNMENT OF IRAQ IS NOT INTERESTED IN MAKING CAPITAL INVESTMENT ABROAD--CERTAINLY NOT OUTSIDE THE ARAB WORLD. THE GOVERNMENT FEELS THAT ITS OWN ECONOMY CAN EASILY ABSORB ALL SUMS AVAILABLE FOR DEVELOPMENT.

5. IN SHORT, FOREIGN INVESTMENT IN IRAQ IS STATISTICALLY INSIGNIFICANT--WITH THE EXCEPTION OF REMAINING EUROPEAN HOLDINGS IN THE BASRA PETROLEUM COMPANY. NEW FOREIGN INVESTMENT IS NOT SOUGHT. IN THE FORESEEABLE FUTURE IRAQI DEVELOPMENT CAPITAL IS NOT LIKELY TO BE INVESTED ABROAD.
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